

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 IO-12 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 RSR-01

OIC-04 AF-10 ARA-11 EA-11 NEA-10 /224 W

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R 251743 Z MAY 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1513

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PASS AGRICULTURE

E. O. 11652 N/ A

TAGS: EAGR, XX

SUBJECT: IWC MEETINGS MAY 22 AND 23, 1973

BEGIN SUMMARY. MAJOR POINTS OF INTEREST FROM MEETING WERE A) CRITICAL WHEAT SUPPLY DURING FY74; B) FUTURE OF IWC AND PRESSURE FOR INCLUSION OF SUBSTANTIVE ECONOMIC PROVISIONS; C) COUNCIL TO MAKE DECISION ON PUBLICATION OF FORECAST BASED ON CMC RECOMMENDATION. END SUMMARY.

L. COMMITTEE ON MARKET CONDITIONS REVIEWED CURRENT SITUATION. SUGGESTED THREE MAJOR FACTORS AFFECTING CURRENT WHEAT MARKET. A) MANY FARMERS SOLD EARLY LAST SEASON, DID NOT OBTAIN AS HIGH PRICES AS IF HAD SOLD LATER; THEREFORE ARE HOLDING THIS YEAR. B) PURCHASES AND RUMORS OF PURCHASES IN LAST FOUR WEEKS BY COUNTRIES SUCH AS USSR, CHINA AND INDIA. C) DUE TO CURRENCY PROBLEMS THERE IS A SWITCH FROM CURRENCY
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TO COMMODITIES.

2. PUBLICATION OF FORECAST WAS DISCUSSED. FOLLOWING COUNTRIES HAD NO OBJECTIONS: AUSTRALIA, CANADA, PORTUGAL, AND ARGENTINA. INDIA PREFERRED IT NOT BE PUBLISHED. EC ALSO OBJECTED BUT NEEDED INSTRUCTIONS FROM BRUSSELS. JAPAN WOULD GO ALONG WITH MAJORITY.

3. CMC AGREED SPECIAL REPORT SHOULD BE MADE TO EXECUTIVE COMMITTEE MEETING THE FOLLOWING DAY EXPRESSING CONCERN AT PROSPECTS FOR FY74. REPEATING THAT WITHHOLDING SUPPLIES FROM MARKET BY FARMERS COULD CAUSE SERIOUS PROBLEMS AND EXPRESSING VIEW THAT BOTH IMPORTERS AND EXPORTERS HAD COLLECTIVE RESPONSIBILITY IN THE SITUATION SINCE LDC'S UNABLE TO COVER IMPORT REQUIREMENTS DUE TO HIGH PRICES.

4. AT EXECUTIVE COMMITTEE MEETING, MARKET CONDITIONS REPORTED. POINTS A, B AND C OF PARAGRAPH ONE REPEATED. REPORTED THAT WHEAT FUTURES WERE UP THE LIMIT AT MAJOR US FUTURES MARKETS FRIDAY, MONDAY AND TUESDAY.

5. SECRETARIAT REVIEW OFFORECAST. UNDER MOST FORESEEABLE CONDITIONS, DURING FY74 THERE WILL BE A CONSIDERABLE SHORTFALL IN PROJECTED WHEAT SUPPLIES COMPARED TO PROJECTED DEMAND. THIS SITUATION FURTHER EXAGGERATED BY LOWEST STOCKS IN MAJOR EXPORTING COUNTRIES IN 20 YEARS.

6. DIFFICULT TO SEE HOW DEFICIT CAN BE MET. CAN ONLY MARGINALLY DRAW ON ALREADY LOW EXPORTER STOCKS. ONLY LIMITED SUBSTITUTION OF OTHER GRAINS SUCH AS RICE AND CORN. THEREFORE, OUTLOOK IS FOR CRITICAL SUPPLY SITUATION.

7. GERMANY ASKED WHAT WOULD BE VOLUME OF SPECIAL TRANSACTIONS IN FY74 IN RELATION TO DEVELOPING COUNTRIES' NEEDS, ESPECIALLY WITH POSSIBILITY OF VERY HIGH WHEAT PRICES.

8. JAPAN SAID IN VIEW OF TIGHT SUPPLY CONDITIONS EXPORT-LIMITED OFFICIAL USE

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ING COUNTRIES SHOULD CONTINUE TO EXPAND PRODUCTION.

9. REGARDING SPECIAL REPORT ON SITUATION BY CMC, CANADA (MINER) SAID THAT, NOTWITHSTANDING LACK OF ECONOMIC PROVISIONS, COUNCIL AT JUNE SESSION SHOULD CONSIDER WHAT COLLECTIVE ACTION SHOULD BE TAKEN TO ENSURE ADEQUACY OF WHEAT SUPPLIES.

1 O. ARGUMENTS IN FAVOR OF PUBLISHING FORECAST.

A) DOCUMENT IS BE

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11. ARGUMENTS AGAINST PUBLISHING. A) MARKET VERY SENSITIVE AND PUBLICATION COULD WORSEN SITUATION OR EVEN CAUSE PANIC AND HAVE SERIOUS PRICE REPERCUSSIONS. B) FARMERS MIGHT HOLD BACK SUPPLIES AND THIS QUOTE COULD CAUSE STARVATION IN CERTAIN COUNTRIES IN THE WORLD END QUOTE.

12. IT WAS DECIDED TO POSTPONE DECISION ON PUBLICATION UNTIL JUNE AND COUNCIL IS TO MAKE DECISION ON THE BASIS OR RECOMMENDATION OF EXECUTIVE COMMITTEE.

13. VOTES. THERE WILL BE DISCUSSION AT JUNE MEETING ON REDISTRIBUTING BOTH IMPORTER AND EXPORTER VOTES.

14. FUTURE OF CONVENTION WILL BE DISCUSSED AT JUNE MEETING ON THE BASIS OF A REPORT BY EXECUTIVE SECRETARY. THREE ALTERNATIVES: A) ALLOW AGREEMENT TO LAPSE. B) CONVENE NEGOTIATING CONFERENCE IN JANUARY 1974 TO DRAW LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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UP NEW CONVENTION, WITH ECONOMIC PROVISIONS, TO COME INTO FORCE IN JULY 1974. C) EXTEND BY PROTOCOL.

15. VARIOUS COUNTRIES INFORMAL POSITIONS. A) EC WILL NOT HAVE POSITION UNTIL JUNE. B) JAPAN WOULD LIKE TO SEE NEW CONVENTION NEGOTIATED, BUT REALIZE CANNOT BE ACCOMPLISHED BY JULY 1974. C) CANADA (MINER) WOULD LIKE TO FIND BASIS FOR ACHIEVING A BALANCE OF RIGHTS AND OBLIGATIONS BETWEEN EXPORTERS AND IMPORTERS. SUGGESTED IN JUNE COUNCIL SHOULD EXAMINE WHETHER GOVERNMENTS ARE PREPARED TO LOOK AT AN AGREEMENT WITH PRICE PROVISIONS OR OTHER ELEMENTS TO ENSURE WHEAT MARKET STABILITY THROUGH, FOR INSTANCE, UNDERTAKINGS ON EXPORT ASSISTANCE AND CONCESSIONAL TRADE. D) SOUTH AFRICA EXPRESSED PREFERENCE FOR AGREEMENT WITH SUBSTANTIVE ECONOMIC PROVISIONS, BUT SAID CURRENT MARKET CONDITIONS MADE IT DIFFICULT TO NEGOTIATE SUCH AN AGREEMENT AT THIS TIME. E) ARGENTINA SAID CURRENT ECONOMIC SITUATION IS A GOOD EXAMPLE OF WHY PRICE PROVISIONS NEEDED. REALIZE THERE MAY BE OTHER VALID POSITIONS, BUT THEY PREFER TO NEGOTIATE A NEW CONVENTION. F) SWITZERLAND SAID IF JUNE SESSION DECIDED TO NEGOTIATE NEW AGREEMENT, IT SHOULD NOT BE LINKED TO GATT. G) PORTUGAL SAID INTERNATIONAL COOPERATION SHOULD BE MAINTAINED IN WHEAT BUT NOT LIMITED, AS AT PRESENT, TO EXCHANGE OF INFORMATION. WITHOUT WILLINGNESS BY BOTH EXPORTERS AND IMPORTERS TO GRANT CONCESSIONS, CAN BE NO BASIS FOR NEW AGREEMENT. DECONTROL AUGUST 15, 1973.
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